

OCT 6 1992

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption from federal income tax as an organization described in section 501(c)(7) of the Internal Revenue Code.

The information submitted discloses that you were formed as an unincorporated association on [REDACTED] by Constitution.

Your Constitution states that the purpose of the organization is for the mutual benefit of its members and their way of life; specifically, to represent, protect and service tenants of the [REDACTED] senior citizens mobile home park.

You state that your primary activity is seeking relief from monthly rental increases by either negotiating with the landlord and township governing committee or rent control through litigation. You also state that you intend to maintain a legal defense fund in the future to protect your interests.

Your support is derived from membership dues.

Expenses are shown for legal fees for attorney representation of your organization. You state that any fees not used will be prorated and returned to contributors.

Section 501(c)(7) of the Code provides for the exemption from federal income tax of clubs organized for pleasure, recreation and other non-profitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(7)-1(a) of the Income Tax Regulations states that the exemption provided by Code section 501(a) for organizations described in Code section 501(c)(7) applies only to clubs which are organized and operated exclusively for pleasure, recreation and other non-profitable purposes, but does not apply to any club if any part of its net earnings inures to the benefit of any private shareholder or individual.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
	[REDACTED]	[REDACTED]	[REDACTED]			
Surname						
Date	8/28/92	8-31-92	10/6/92			

[REDACTED]

Section 1.501(a)-1(c) of the Regulations defines the word "private shareholder" in section 501 as referring to persons having a personal and private interest in the activities of an organization. The term shareholder includes a member of the organization.

In applying the term "other non-profitable purposes" the Service has long held and was sustained by the courts that this means other purposes "similar" to pleasure and recreation.

Your organization is not organized for the pleasure and recreation of its members as mandated by section 501(c)(7) of the Code. You are organized for the litigation of rent control for the mobile home owners of [REDACTED].

Your organization is not operated for the pleasure and recreation of your members. The members hope to gain, through litigation and other means, control of rental increases on their private residences. These are not social or recreational activities as mandated under section 501(c)(7) of the Code. The members have a personal and private interest in the activities the organization sets out to accomplish. The earnings of the organization are directed to accomplishing those private interests and results in private benefit to the members.

Based on the information submitted and the applicable law cited above, it is held that your organization does not qualify for exemption under section 501(c)(7) of the Code.

In accordance with this determination, you are required to file federal corporate income tax returns on Form 1120.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office conference staff. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office, or if you request, at any mutually convenient District Office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

Sincerely yours,

[REDACTED]

District Director

Enclosure: Publication 892